

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-KSB

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 27, 2001

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-1455

OPT-SCIENCES CORPORATION

(Name of small business issuer in its charter)

NEW JERSEY	21-0681502
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Post Office Box 221, 1912 Bannard Street, Riverton, New Jersey	08077
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including Area Code: (856) 829-2800

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.25 par value per share
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB (X)

State issuer's revenues for its most recent fiscal year: \$5,402,967.

The aggregate market value of the 240,165 common shares held by non-affiliates of the registrant is \$1,296,891, computed by reference to the closing bid price of such stock as of December 31, 2001.

This computation is based on the number of issued and outstanding shares held by persons other than officers, directors and shareholders of 5% or more of the registrant's common shares.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date. Common Stock, par value of \$.25 per share: 775,585 Shares outstanding as of December 31, 2001.

Documents Incorporated by Reference

Notice of the 2001 Annual Meeting of Shareholders to be held on March 27, 2002 and related Information Statement which are to be filed are incorporated by reference into Items 9 through 12 of Part III; also incorporated by reference are Exhibits 3 (Articles of Incorporation and By-laws) and 21 (List of Subsidiaries) from the Form 10KSB filed in January 1998 for fiscal year 1997.

Transitional Small Business Disclosure Format

Yes No ☒ X

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ITEM 1. DESCRIPTION OF BUSINESS

BUSINESS OF THE COMPANY. Overview. Opt-Sciences Corporation, formed in 1956, conducts its business through its wholly owned subsidiary, O & S Research, Inc. Both companies are New Jersey corporations. As used in this form 10-KSB, the term "Company" refers to the combined operations of Opt-Sciences Corporation and O & S Research, Inc. The principal business of the Company is to provide optical coatings, filters, faceplates and lighting wedges which improve display readability for electronic instruments used primarily in aircraft. This includes the application of different types of anti-reflection coatings, transparent conductive coatings and other optical coatings. The Company also provides full glass cutting, grinding and painting operations which augment its optical coating capabilities. Most of the Company's products are designed to enable pilots to read aircraft instruments in direct sunlight or at night or in covert situations using appropriate night vision filters. This business is a niche business primarily dependent for its success on aircraft manufacturing and retrofitting. It requires custom manufacturing of small lots of products to satisfy component requirements for specific aircraft.

CORE PRODUCTS. The distinguishing characteristic of the Company's business is its optical thin film coating capability. All products which the Company offers incorporate an optical coating of some type. The primary coatings are its anti-reflection coating used for glare reduction and its transparent conductive coating used for electromagnetic interference shielding. Either or both coatings are applied to different types of glass face plates which are mounted on the front of liquid crystal displays (LCDs), cathode ray tubes (CRTs) and electromechanical displays (EMDs).

NEW PRODUCTS; ANCILLARY PRODUCTS AND SERVICES. In addition to coated glass described above, the Company also offers a full range of other specialty instrument glass, including night vision filter glass, circular polarizers, touchpads, glass sandwiches for LCDs as well as other custom designed specialty glass components and assemblies. In September 2000, the Company acquired Astro thin film coating equipment which will allow the Company to apply anti-reflection coatings to large glass substrates and optical filters at a more competitive price. When the Astro coating equipment is brought on line, output will be used for displays generally larger than 13" diagonal. Management expects this system to commence generating revenues no later than March 30, 2002. Both LCD and CRT displays in this size range are used in medical, industrial and commercial products and will serve a new customer and product base for the Company.

GROWTH STRATEGY. The Company has adopted a fiscally conservative approach to the development of new business. It continues to identify new customers for its products, to collaborate with customers in adapting its products to customer requirements, to price its products competitively but profitably, to maintain high quality, and to add capital equipment and personnel as required. Since the beginning of Fiscal Year 2002, Management has seen a general decline in orders for display glass used on commercial aircraft. Orders for the business aircraft and the military aircraft industries and for other coated flat panel displays are remaining steady, with an expectation of only moderate growth in those areas over the next few years.

MARKETING AND SALES. The principal sales executive of the Company is the President, who maintains regular contact with the largest customers and continually seeks to develop new customers. The Company does not currently employ the services of manufacturers representatives or sales

personnel. The Company and its products are listed in the Thomas Register. The Company also maintains its own website at **osresearch.com**. The Company engages in a low cost public relations and advertising program. Orders are ordinarily placed with the Company by purchasing personnel of major corporations or governmental agencies, based on price, delivery terms, satisfaction of technical specifications and quality control. Purchases by the Company's customers are ordinarily made from vendors on an approved vendor list. Sales are assisted by creative technical solutions to customer requirements. The Company is already an approved vendor for major aircraft programs and this improves product acceptance by new customers. The Company continues to be the lead supplier for the anti-glare panels for the flat panel displays on the Boeing 777, 737-800 and the new 717. The Company's customer base is narrow, with three customers constituting 71.8% of all sales. The Company had a backlog of orders equal to \$1.8 million at the end of Fiscal Year 2001, approximately the same as at the end of the prior year. The Company is beginning to see a decline in the flow of new orders. Management attributes this decrease primarily to the recession and recent decline in air travel.

PATENTS, TRADEMARKS AND PROPRIETARY KNOWLEDGE. The Company does not hold any patent or trademark. Part of its competitive advantage, however, consists of accumulated experience and know-how in satisfying the instrument glass requirements of its customers.

MANUFACTURING. Cathode Ray Tubes and Liquid Crystal Displays are now commonly used for aircraft instrumentation. Typically, a customer sends such items to the Company for processing; the Company uses its technology to apply with great precision a micro thin optical non-glare and/or conductive coating to a face plate, which is then mounted on the Cathode Ray Tube or Liquid Crystal Display. The face plate is cut from large pieces of glass which the Company purchases from multiple domestic sources on a commodity basis. After testing for quality control, satisfactory products are shipped to the customer.

Glass lenses are manufactured by the Company from raw glass pieces which the Company purchases in large lots from vendors. The glass is a commodity product which can be purchased generally from several glass manufacturers. The pieces are cut, grounded, polished and coated with a micro thin optical coating. They are shipped to the customer after clearing through quality control.

Unique to both processes is the deposit of a thin film of a metal or metal-oxide on the surface of the glass. The process takes place in a heated vacuum chamber. The deposited material is heated to over 1800 degrees centigrade causing it to evaporate. When the vapor contacts the glass, it condenses forming a very thin film as hard as the original metal being evaporated. The thin films range from 250 angstroms to 1500 angstroms thick.

ENVIRONMENTAL MATTERS. The Company believes it is in material compliance with applicable United States, New Jersey and local laws and regulations relating to the protection of the environment, and it does not spend material sums of money for those purposes.

COMPETITION. The principal competition the Company faces is from larger optical coating companies. Competition is based on product quality, price, reputation and ability to meet delivery deadlines. As pointed out above (see Marketing and Sales), status as an approved vendor for the product is frequently very important.

EMPLOYEES. As of October 27, 2001, the Company employed 54 full time and 4 part time individuals, none of whom are union members. This represents an increase from the end of fiscal 2000. The Company expects to adjust the number of its full time employees, if needed, in order to react to market conditions. The Company believes it has a good relationship with its employees. The Company is subject to the federal minimum wage and hour laws and provides various routine employee benefits such as life and health insurance. The Company provides a 401K Plan for the benefit of all its employees; it does not have any stock option plan.

FORWARD-LOOKING STATEMENTS. Certain of the matters discussed above and hereafter contain forward-looking statements that involve risk and uncertainties. Although the Company believes that its assumptions in making such forward-looking statements are reasonable, the Company cannot give any assurance that the expected results will occur. A significant variation between actual conditions and any of such assumptions may cause actual results to differ materially from expectations.

The SEC maintains an Internet site that contains reports and information statements and other information regarding the Company. The URL address of that site is <http://www.sec.gov>.

ITEM 2. DESCRIPTION OF PROPERTY

The Company conducts its operations at the principal office and manufacturing facility located in the East Riverton Section of Cinnaminson, New Jersey. The Company's operating subsidiary owns this property in fee simple, and the property is not encumbered by any lien or mortgage. The cinderblock and masonry facility contains approximately 11,000 square feet of manufacturing space. The Company's operating subsidiary also owns and utilizes a building containing 5,000 square feet of warehouse and 3,000 square feet of manufacturing space on premises adjacent to the main manufacturing facility. In addition, the Company is leasing on a year to year basis 5000 square feet for general warehouse and material storage. Together, those facilities meet the Company's current space requirements. In order to meet projected space requirements, the Company will require additional manufacturing space. The Company continues to review its real estate options and has not made a final decision yet on this matter.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceeding and is subject to such claims as are routine for a manufacturing business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matter to a vote of security holders during the fourth quarter of fiscal 2001.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SECURITY HOLDER MATTERS

The Company has not listed its Common Shares on an established public trading market, but shareholders do trade the Company's Shares over the counter. The symbol for the Company's Shares is OPST. Only limited and sporadic trading occurs. Subject to the foregoing qualification, the following table sets forth the range of bid and asked quotations, for the calendar quarter indicated, as recorded by Pink Sheets LLC., and reflects inter-dealer prices, without retail mark up, mark down or commission and may not necessarily represent actual transactions.

Fiscal 2000	Bid	Ask
First Quarter	4.125-5.00	6.00 - 7.50
Second Quarter	4.125-4.25	7.50 - 7.625
Third Quarter	4.25 -4.50	7.50 - 7.625
Fourth Quarter	4.50 -4.75	7.00 - 7.75
Fiscal 2001		
First Quarter	4.125 -4.875	5.00 - 6.00
Second Quarter	3.50 -4.50	5.00 - 7.00
Third Quarter	3.75 -4.00	7.00
Fourth Quarter	4.00 -4.95	7.00 - 11.00

As of December 31, 2001, the closing bid for the Common Stock was \$5.40 and the closing ask was \$10.01 per share.

The Company had 974 shareholders of record of its Common Stock as of December 31, 2001.

DISTRIBUTIONS

The Company did not declare or pay any dividend on its Common Stock during Fiscal Year 2001 and does not presently intend to pay dividends on its Common Stock in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

LIQUIDITY AND CAPITAL RESOURCES.

As a result of the Company's relatively strong cash position, the Company has sufficient liquidity and credit to fund its contemplated capital and operating activities through Fiscal 2002. The Company also anticipates earnings in Fiscal 2002 which will further assure the Company's ability to meet its capital expenditure requirements.

RESULTS OF OPERATIONS

FISCAL YEAR 2001

Fiscal 2001 was a good year for the Company. Sales increased by 59% to \$5.4 million resulting in an increase in operating income of 756% to \$963,000. This turnaround was in a large part due to three factors: 1) a new supplier agreement between the Company and Rockwell resulting in over \$1 million in new business, 2) the addition of Philips as a new customer resulting in \$0.5 million in new business and 3) a general improvement in the aerospace market prior to 9/11 accounting for the balance. The Company's backlog remained at \$1.8 million at the end of the fiscal year. However, it is showing a steady erosion as shipments are outpacing new orders. The new Astro optical coating system which the Company purchased in 2000 did not contribute to revenue in 2001 as originally planned. It is expected to be in revenue service by the end of the second quarter of 2002 helping to bolster sales in the third and fourth quarters.

Income from other investment sources dropped 59% due to the significant drop in prevailing interest rates. In addition the lower interest rates resulted in a number of high yielding preferred stocks which the Company held to be called early last year. A significant improvement is not anticipated in fiscal 2002.

The events of September 11th, 2001 have had a dramatic effect on the aerospace industry with the commercial aircraft market being hit the hardest. This market represents over 65% of the Company's business. The aftermath of 9/11 combined with the current recession are now being felt and will pose significant challenges for the Company in the commercial avionics market over at least the next two years. The drop in commercial aircraft being manufactured by Boeing and Airbus will continue to decline through 2003. This will cause the amount of business generated by this sector to erode further. However, not all sectors of the avionics industry are under the same pressure. The business and military avionics markets remain steady and are anticipated to show moderate growth over the next few years. The Company is therefore planning to increase its position in both markets by increasing its product capabilities.

The Company also has plans for diversifying its customer base. The addition of the Astro optical coating unit will help change the Company's market base by serving more than one industry segment. This will ultimately result in less risk. Revenues from the Astro optical coating equipment will come from predominantly commercial display applications and to a lesser extent the aerospace display market.

FISCAL YEAR 2000

Results from Fiscal 2000 were down from the prior year. Sales decreased by 13.8% and operating income decreased by 87%. The drop in operating income was in a large part due to a significant material quality problem with one of the Company's key suppliers. The unanticipated loss of sales in the fourth quarter combined with increased manufacturing expenses as the Company was ramping up manufacturing capacity resulted in the large drop off in operating profits. Since then, the commercial,

business and military avionics markets all had been seeing an increase in demand as the fourth quarter of Fiscal Year 2000 was finishing. The Company had been hiring and training new employees to handle the business increases from its customer base. Management had expected the increase in demand to continue through fiscal 2002. The Company's operating profit was expected to increase when the Company added the extra capacity and began to fill the increased orders from customers. The increase in the Company's backlog of orders at the end of the Fiscal Year 2000 to \$1.8 million was viewed as an indication of increasing customer demand.

Income from other investment sources increased 26%. However, overall net income and earnings per share still decreased 67% from the prior fiscal year.

INFLATION

During the three year period that ended on October 27, 2001, inflation did not have a material effect on the Company's operating results.

ITEM 7. FINANCIAL STATEMENTS

The Consolidated Financial Statements, the notes thereto, and the report thereon by Mayer, Shanzer & Mayer, P.C. dated January 14, 2002, are filed as part of this report on pages 11 to 23 below.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There is no information relevant to the Registrant which must be disclosed under this item.

PART III

The information required by Part III (Items 9, 10, 11 and 12) are incorporated by reference from the Company's definitive Information Statement to be filed in accordance with Section 240.14c-101, Schedule 14C.

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-KSB

(a) Financial Statements, Schedules and Exhibits

1. Financial Statements and Schedules See Index to Consolidated Financial Statements and Schedules on page 12.
2. Exhibits:
3. Articles of Incorporation and By-Laws- Incorporated by reference to the Form

10-KSB filed by the Registrant with the SEC for its fiscal year ended November 1, 1997 starting on page 22.

21. List of Subsidiaries -
Incorporated by reference to the Form 10-KSB filed by the Registrant with the SEC for its fiscal year ended November 1, 1997 starting on page 54.

ITEM 14 SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OPT-SCIENCES CORPORATION

By: _____
Anderson L. McCabe
President

Date: January 27, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
_____ Anderson L. McCabe	President And Director	January 27, 2002
_____ Arthur J. Kania	Secretary, Treasurer and Director	January 27, 2002
_____ Arthur J. Kania, Jr.	Director	January 27, 2002
_____ Harvey Habeck	Chief Accountant	January 27, 2002

OPT-Sciences Corporation
and Subsidiary

Financial Statements

Years Ended October 27, 2001
and October 28, 2000

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INDEPENDENT AUDITOR'S REPORT

To Stockholders and Board of Directors
OPT-Sciences Corporation

We have audited the accompanying consolidated balance sheets of OPT-Sciences Corporation and Subsidiary incorporated in New Jersey, as of October 27, 2001 and October 28, 2000 and the related consolidated statements of earnings and stockholders' equity and cash flows for each of the fiscal years in the two year period ended October 27, 2001 (52 weeks). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OPT-Sciences Corporation and Subsidiary as of October 27, 2001 and October 28, 2000 and the consolidated results of their operations and their cash flows for each of the fiscal years in the two year period ended October 27, 2001 in conformity with U.S. generally accepted accounting principles.

MAYER, SHANZER & MAYER, P.C.

A Professional Corporation

January 14, 2002

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

ASSETS

	October 27, 2001	October 28, 2000
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,424,969	\$ 4,196,034
Trade accounts receivable	1,055,356	525,560
Inventories	429,056	379,544
Prepaid expenses	38,982	25,746
Prepaid income tax	-0-	177,245
Marketable securities	<u>1,082,483</u>	<u>791,019</u>
 Total current assets	 <u>7,030,846</u>	 <u>6,095,148</u>
 PROPERTY AND EQUIPMENT		
Land	114,006	114,006
Building and improvements	346,571	346,571
Machinery and equipment	1,212,241	1,135,520
Small tools	53,580	53,580
Furniture and fixtures	8,048	8,048
Office equipment	50,924	50,924
Automobile	<u>60,100</u>	<u>42,336</u>
 Total property and equipment	 1,845,470	 1,750,985
 Less: accumulated depreciation	 <u>1,033,207</u>	 <u>954,536</u>
 Net property and equipment	 <u>812,263</u>	 <u>796,449</u>
 OTHER ASSETS		
Deposits	<u>2,837</u>	<u>2,837</u>
 Total assets	 \$ <u>7,845,946</u>	 \$ <u>6,894,434</u>

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

LIABILITIES AND STOCKHOLDERS' EQUITY

	October 27, 2001	October 28, 2000
CURRENT LIABILITIES		
Accounts payable – trade	\$ 139,096	\$ 130,131
Accrued income taxes	270,877	-0-
Other current liabilities	<u>255,466</u>	<u>188,737</u>
Total current liabilities	<u>665,439</u>	<u>318,868</u>
STOCKHOLDERS' EQUITY		
Common capital stock - par value \$.025 per share – authorized and issued 1,000,000 shares	250,000	250,000
Additional paid in capital	272,695	272,695
Retained earnings	6,898,523	6,249,750
Accumulated other comprehensive income	(53,493)	(9,661)
Less treasury stock at cost - 224,415 shares	<u>(187,218)</u>	<u>(187,218)</u>
Total stockholders' equity	<u>7,180,507</u>	<u>6,575,566</u>
Total liabilities and stockholders' equity	\$ <u><u>7,845,946</u></u>	\$ <u><u>6,894,434</u></u>

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

	Fiscal Year Ended October 27, 2001 (52 Weeks)	Fiscal Year Ended October 28, 2000 (52 Weeks)
NET SALES	\$ 5,402,967	\$ 3,384,396
COST OF SALES	<u>3,750,091</u>	<u>2,667,612</u>
Gross profit on sales	<u>1,652,876</u>	<u>716,784</u>
OPERATING EXPENSES		
Sales & delivery	88,982	82,539
General and administrative	<u>600,646</u>	<u>506,907</u>
Total operating expenses	<u>689,628</u>	<u>589,446</u>
Operating income	963,248	127,338
OTHER INCOME	<u>112,338</u>	<u>274,673</u>
Net income before taxes	1,075,586	402,011
FEDERAL AND STATE INCOME TAXES	<u>426,813</u>	<u>156,912</u>
Net income	\$ <u><u>648,773</u></u>	\$ <u><u>245,099</u></u>
EARNINGS PER SHARE OF COMMON STOCK	<u>0.84</u>	<u>0.32</u>
Weighted average number of shares	<u><u>775,585</u></u>	<u><u>775,585</u></u>

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

	Common <u>Stock</u>	Paid-in <u>Capital</u>	Retained <u>Earnings</u>	Accumulated Other Comprehensive <u>Income</u>	Treasury <u>Cost</u>	<u>Total</u>
BALANCE - OCTOBER 30,1999	\$ 250,000	272,695	6,004,651	(9,512)	(187,238)	<u>6,330,596</u>
COMPREHENSIVE INCOME						
Net income for the fiscal year ended October 28,2000			245,099			245,099
Other comprehensive income, net of tax:						
Unrealized holding losses on securities arising during period, net of tax of \$113				(149)		<u>(149)</u>
TOTAL COMPREHENSIVE INCOME						<u>244,950</u>
PURCHASE OF TREASURY STOCK					20	20
BALANCE - OCTOBER 28,2000	\$ 250,000	272,695	6,249,750	(9,661)	(187,218)	6,575,566
COMPREHENSIVE INCOME						
Net income for the fiscal year ended October 27,2001			648,773			648,773
Other comprehensive income, net of tax:						
Unrealized holding losses on securities arising during period, net of tax of \$33,067				(43,832)		<u>(43,832)</u>
TOTAL COMPREHENSIVE INCOME						<u>604,941</u>
BALANCE OCTOBER 27,2001	\$ <u>250,000</u>	<u>272,695</u>	<u>6,898,523</u>	<u>(53,493)</u>	<u>(187,218)</u>	<u>7,180,507</u>

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

	Fiscal Year Ended October 27, 2001 (52 Weeks)	Fiscal Year Ended October 28, 2000 (52 Weeks)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 648,773	\$ 245,099
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	78,671	79,380
Loss on sale of securities	105,607	-0-
(Gain) on sale of securities	-0-	(13,371)
Decrease (increase) in:		
Accounts receivable	(529,796)	47,655
Inventories	(49,512)	108,249
Prepaid expenses	(13,236)	(635)
Prepaid income taxes	(177,245)	6,861
Deposits	-0-	(2,837)
(Decrease) increase in:		
Accounts payable	8,965	88,083
Accrued income taxes	270,877	-0-
Other current liabilities	<u>66,729</u>	<u>(72,472)</u>
Net cash provided by operating activities	<u>409,833</u>	<u>486,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(94,485)	(318,152)
Purchases of securities	(495,903)	(327,953)
Sale of securities	<u>409,490</u>	<u>47,340</u>
Net cash (used) by investing activities	\$ <u>(180,898)</u>	\$ <u>(598,765)</u>

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

	Fiscal Year Ended October 27, 2001 (52 Weeks)	Fiscal Year Ended October 28, 2000 (52 Weeks)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchases of treasury stock	\$ <u>-0-</u>	\$ <u>20</u>
Net cash provided (used) by financing activities	<u>-0-</u>	<u>20</u>
Increase (decrease) in cash	228,935	(112,733)
Cash and cash equivalents at beginning of year	<u>4,196,034</u>	<u>4,308,767</u>
Cash and cash equivalents at end of period	\$ <u>4,424,969</u>	\$ <u>4,196,034</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
Income taxes paid	\$ <u><u>18,647</u></u>	\$ <u><u>150,051</u></u>

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

NOTE 1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of OPT-Sciences Corporation and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers certificates of deposit and debt securities purchased with a maturity of three months or less to be cash equivalents.

Line of Business and Credit Concentration

The Company, through its wholly owned subsidiary, is engaged in grinding, polishing, coating and painting of optical glass for the custom fabrication of precision optical components for aircraft instruments. The Company grants credit to companies within the aerospace industry.

Accounts Receivable

Bad debts are charged to operations in the year in which the account is determined to be doubtful. If the allowance method for doubtful accounts were used it would not have a material effect on the financial statements.

Inventories

Raw materials are stated at the lower of average cost or market. Work in process and finished goods are stated at accumulated cost of raw material, labor and overhead, or market, whichever is lower. Market is net realizable value.

OPT-Sciences Corporation and Subsidiary
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
The accompanying notes are an integral part of these financial statements

Marketable Securities

Marketable securities consist of debt and equity securities and mutual funds. Equity securities include both common and preferred stock.

The Company's investment securities are classified as "available-for-sale". Accordingly, unrealized gains and losses and the related deferred income tax effects when material, are excluded from earnings and reported in a separate component of stockholders' equity as accumulated other comprehensive income. Realized gains or losses are computed based on specific identification of the securities sold.

Property and Equipment

Property and equipment are comprised of land, building and improvements, machinery and equipment, small tools, furniture and fixtures, office equipment and automobiles. These assets are recorded at cost.

Depreciation for financial statement purposes is calculated over estimated useful lives of three to twenty-five years, using the straight-line method.

Maintenance and repairs are charged to expense as incurred.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Employee Benefit Plans

On October 1, 1998, the Company implemented a 401(k) profit sharing plan. All eligible employees of the Company are covered by the Plan. Company contributions are voluntary and at the discretion of the Board of Directors. Company contributions were \$31,522 and \$29,842 for the years ended October 27, 2001 and October 28, 2000, respectively.

Earnings per Common Share

Earnings per common share were computed by dividing net income by the weighted average number of common shares outstanding.

OPT-Sciences Corporation and Subsidiary
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NOTE 2 - Inventories

Inventories consisted of the following:

	<u>October 27, 2001</u>	<u>October 28, 2000</u>
Finished goods	\$ 127,450	\$ 46,656
Raw materials and supplies	19,444	25,223
Work in progress	<u>282,162</u>	<u>307,665</u>
	<u>\$ 429,056</u>	<u>\$ 379,544</u>

NOTE 3 - Marketable Securities

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
October 27, 2001				
Common stock	\$ 209,719		\$ (27,354)	\$ 182,365
Preferred stock	583,667	\$ 49,308		632,975
Corporate bonds	6,949	777		7,726
Publicly traded partnerships	18,406	19,844		38,250
Mutual funds	<u>317,235</u>	<u> </u>	<u>(96,068)</u>	<u>221,167</u>
	<u>\$ 1,135,976</u>	<u>\$ 69,929</u>	<u>\$ (123,422)</u>	<u>\$ 1,082,483</u>
October 28, 2000				
Common stock	\$ 3,244		\$ (134)	\$ 3,110
Preferred stock	481,871		(13,418)	468,453
Corporate bonds	6,949	\$ 94		7,043
Publicly traded partnerships	18,406	3,046		21,452
Mutual funds	<u>290,210</u>	<u>751</u>	<u> </u>	<u>290,961</u>
	<u>\$ 800,680</u>	<u>\$ 3,891</u>	<u>\$ (13,552)</u>	<u>\$ 791,019</u>

Sales of securities available for sale during the years ended October 27, 2001 and October 28, 2000 were as follows:

	<u>2001</u>	<u>2000</u>
Proceeds from sales	\$ <u>409,490</u>	\$ <u>47,340</u>
Gross realized gains	\$ <u>8,652</u>	\$ <u>13,371</u>
Gross realized losses	\$ <u>114,259</u>	\$ <u>-0-</u>

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NOTE 4 - Income Taxes

The provision for income taxes based on earnings reported in the financial statements is as follows:

<u>Current Tax Expense</u>	<u>October 27, 2001</u>	<u>October 28, 2000</u>
Federal	\$ 96,852	\$ 121,227
State	<u>329,961</u>	<u>35,685</u>
Total	\$ <u>426,813</u>	\$ <u>156,912</u>

The Company has no deferred tax liabilities. Book and tax depreciation differences are not considered material to these financial statements.

NOTE 5 - Major Customer

One customer accounted for approximately \$2,311,900 of net sales during the year ended October 27, 2001 and approximately \$1,738,200 of net sales during the year ended October 28, 2000. The amount due from this customer, included in trade accounts receivable, was approximately \$422,281 on October 27, 2000 and \$289,005 on October 28, 2000.

NOTE 6 - Concentration of Credit Risk of Financial Instruments

The Company has various demand and time deposits with financial institutions where the amount of the deposits exceeds the federal insurance limits of the institution on such deposits. The maximum amount of accounting loss that would be incurred if an individual or group that makes up the concentration of the deposits failed completely to perform according to the terms of the deposit was \$3,953,799 on October 27, 2001 and \$3,820,371 on October 28, 2000.